NOVA SCOTIA FISHERIES AND AQUACULTURE LOAN BOARD

ANNUAL ACCOUNTABILITY REPORT
FOR THE FISCAL YEAR 2010-2011

Table of Contents

Accountability Statement 3

Message from the Chairman 3

Introduction 4

Progress and Accomplishments 4

Human Resources 5

Information Technology 6

Financial Results 7

Outcome Measures 8

Supplemental Information and Appendices 14

Appendix 1 - Department Organizational Chart 14

Appendix 2 - Loan Board Organizational Chart 15

Appendix 3 - Statistical Information 16

Attachment - Nova Scotia Fisheries & Aquaculture Loan Board Financial Statements . . . . . .

Accountability Statement

The accountability report of the Nova Scotia Fisheries and Aquaculture Loan Board for the year ended March 31, 2011, is prepared pursuant to the Finance Act and government policies and guidelines. These authorities require the reporting of outcomes against the Nova Scotia Fisheries and Aquaculture Loan Board Business Plan information for the fiscal year 2010-2011. The reporting of the Nova Scotia Fisheries and Aquaculture Loan Board outcomes necessarily includes estimates, judgements and opinions by Loan Board management.

The Department acknowledges that this accountability report is the responsibility of the Nova Scotia Fisheries and Aquaculture Loan Board. The report is, to the extent possible, a complete and accurate representation of outcomes relative to the goals and priorities set out in the Nova Scotia Fisheries and Aquaculture Loan Board 2010-2011 Business.

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Minister

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Associate Deputy Minister

Message From The Chairman - It is my pleasure to present the 2010-2011 Annual Accountability Report for the Nova Scotia Fisheries and Aquaculture Loan Board. This report reflects the Loan Board's efforts to achieve the goals and priorities outlined in the Loan Board's 2010-2011 Business Plan.

I would like to express my thanks to the staff of the Loan Board for their hard work and commitment to providing excellent service to the aquaculture and fisheries industries, in the best interest of the people of Nova Scotia.

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Loan Board Chairman

Introduction - The accountability report is based on the goals, priorities and outcomes set out in the Loan Board's 2010-2011 Business Plan.

The purpose of the report is to summarize the activities, accomplishments and outcomes of the previous fiscal year, and specifically reflect on the organizations Business Plan. The report is arranged so that readers may understand the Loan Board's accomplishments in line with our Business Plan.

During the year the Fisheries and Aquaculture Loan Board focused on its mission statement which is as follows:

"To serve, develop and optimize the harvesting segment of the Nova Scotia fishing and aquaculture industries, for the betterment of our coastal communities and the province as a whole."

The Fisheries and Aquaculture Loan Board has served the province and the fishing industry since 1936, by providing long term stable development funding. The Loan Board operates under the authority of the Fisheries and Coastal Resources Act. This Act, by its name emphasizes the coastal community development focus of the Board's operations and fosters the growth and development of the economy in our coastal communities as it relates to the harvesting and aquaculture sectors of the fishing industry in Nova Scotia.

Progress and Accomplishments

The goals and priorities from the 2010-2011 Statement of Mandate are as follows:

Core Business Area 1:
Providing long term fixed rate loans for the development of the harvesting and aquaculture sectors of the fishing industry.

- $40 million of developmental funding was approved to the fishing and aquaculture industries.
- 137 loan applications were assessed, of which 50 were for our new license program.
- loan approval limits were reviewed and no adjustment was necessary.
- loan approval conditions were combined to quicken the flow of legal documentation and the disbursement of funds.
- 16 new vessels were built and 15 upgrades to existing boats were completed.

Page 8 of this report provides Performance Measure to support this core business area.

Core Business Area 2:
Maintain a vessel inspection program for all new construction, used vessel purchases and engine and equipment loans.

- New vessels were inspected biweekly during construction to ensure that they are built to rigid Loan Board standards. 76 inspections were carried out.

- 63 inspections were completed for used vessel purchases, engine/equipment and upgrade loans. These inspections ensure that the vessel is built to the Loan Board's standards and that the loan is secure in the value of the boat.

- 558 maintenance inspections were completed to ensure the Loan Board's security is being maintained.

- 16 new vessel construction plans and specifications were checked and approved by technical staff to ensure they met Loan Board standards.

- During these inspections technical advice is provided which relates to the construction of these new vessels.

Page 10 of this report provides Performance Measure to support this core business area.

Core Business Area 3:
Maintain a loan collection program on a monthly basis to keep loan arrears to a minimum.

- The arrears percentage as of March 31, 2011 was 3.3 per cent.

- The arrears percentage is a result of continued follow ups by staff using all available collection tools (letters, phone calls and field visits). The recession has proved to be a challenge in meeting our target of 3%.

Page 12 of this report provides Performance Measure to support this core business area.

Core Business Area 4:
Provide financial counseling and assessments for proposed projects.

- The assessment of proposed projects and financial counseling to all new and existing applicants resulted in 98 approvals of 137 applications submitted.

- Continued to partner with industry, other lenders and other government departments to improve financial information and develop competitive lending packages for our clients.

- Continue to investigate new loan programs with flexible terms which will assist the fishing and aquaculture industries.

- Continue to assess the profitability of financing vessels which engage in the harvesting of non-traditional species.

Page 12 of this report provides Performance Measure to support this core business area.

Human Resources

The Loan Board had eight staff reporting in 2010-2011. Succession planning is a priority of the department and of this division.

Information Technology

Each of the eight Loan Board staff members have a computer and these will be upgraded and replaced on a rotating basis.

The Nova Scotia Farm Loan Board and the Nova Scotia Fisheries and Aquaculture Loan Board are currently involved in a process that will replace their current accounting software. The previous software for the Nova Scotia Fisheries and Aquaculture Loan Board was developed in the early 1980's.

Financial Results **2010 - 2011**

($ - Millions)	**Budget**	***Actual**
Capital Advances	$40.0	$14.7
Repayments	$16.0	$14.8
Net Advances	$ 24.0	$(.1)

*Actual advances do not include commitment unadvanced. In 2010-2011 that amount was $4.5 million.

NOVA SCOTIA
FISHERIES AND AQUACULTURE LOAN BOARD
STATEMENT OF OPERATIONS
FOR THE YEAR ENDED MARCH 31, 2010
($ THOUSANDS)

	Budget 2010/11	Actual 2010/11
Revenues		
Interest income	$7,000	$6,648
Loan fees	119	202
	7,119	6,850
Expenses		
Interest expense	4,812	3,993
Salaries and benefits (net of recoveries)	761	470
Board honoraria	18	7
Travel	53	53
Office expense	8	53
Bad debt expense (net of recoveries)	50	159
	5,702	4,735
Operating Surplus before Government contributions	1,417	2,115
Government Contributions	5,702	4,735
Surplus	7,119	6,850
Distribution to Consolidated Fund of the Province	7,119	6,850
Accumulated Surplus, end of year	$ 0	$ 0

Performance Measures

The Outcome Measures reported upon are from the 2010-2011 Business Plan.

The Fisheries and Aquaculture Loan Board has four core business areas

Core Business Area 1

Providing long term fixed rate loans for the development of the harvesting and aquaculture sectors of the fishing industry. The outcomes for this core business area are sustainable fishery and aquaculture industries, increased landings and sales, development of new fishery enterprises, maintaining and creating jobs in Nova Scotia and improvement of lending programs for the fishing and aquaculture industries. The following measures are used to record movement towards achieving the outcomes.

- **Landed value of fish products.**

What does the measure tell us?

With long term stable financing fishers can expand their operations and maintain/ increase their income and the landed value of fishery products.

Where are we now?

In 2000-2001 (base year) landed value was $648 M and the target was to maintain industry stability. Since that time the landed value of fishery products for 2003-2004 was $698 M and the average income of a lobster fisher was $85,740, the landed value of fishery products for 2004-2005 was $725 M and the average income of a lobster fisher was $119,000, the landed value of fishery products for 2005-2006 was $656M and the average income of a lobster fisher was $109,498, and the landed value of fishery products for 2006-2007 was $599M and the average income of a lobster fisher was $90,438, the landed value of fishery products for 2007-2008 was $661M and the average income of a lobster fisher was $115,026 and the landed value of fishery products for 2008-2009 was $587M and the average income of a lobster fisher was $98,632.

The industry experienced a $74M decrease in landed value for 2008-2009. Many variables (such as weather, quota, price & weight etc.) factor into the landed value of fish products. Even with this decrease in landed value our target was met.

Where do we want to go/be in the future?

With the assistance of a suitable lending program we expect the industry can maintain growth in annual income.

- **Amount of Loan Advances**

What does the measure tell us?

The measure is the loan activity of the Loan Board and if their lending programs are meeting the needs of the industry.

Where are we now?

In 2000-2001 (base year) loan advances were $18.5M and our target was to increase annual advances. Since that time loan advances for 2001-2002 were $18.9M; for 2002-2003 they were $20.5M; for 2003-2004 they were $21.9M; for 2004-2005 they were $24.7M; for 2005-2006 they were $13.9M, for 2006-2007 they were $16.5M, for 2007-2008 they were $15.7M for 2008-2009 they were $7.2M, for 2009-2010 they were 35.8M and for 2010-2011 they were $19.3M.

Where do we want to go/be in the future?

The target for this measure is to increase annual advances yearly if the lending budget is made available each year.

- **Maintain and create jobs in Nova Scotia**

What does the measure tell us?

The lending program of the Fisheries and Aquaculture Loan Board creates and maintains many jobs in the coastal communities of Nova Scotia. These would include jobs onboard the vessel in the construction and repair shop as well as suppliers to these facilities and the processing plants.

Where are we now?

In 2000-2001 (base year) 7,992 direct and indirect jobs were created or maintained and our target was to maintain and create jobs in Nova Scotia. As of March 31, 2003 - 8,173 jobs were created or maintained in the harvesting sector and spinoff industries and as of March 31, 2004 this had increased to 8,925 jobs. As of March 31, 2005 the number of jobs decreased to 8,253. As of March 31, 2006 the number of jobs decreased to 7,854. As of March 31, 2007 the number of jobs increased to 7,938. As of March 31, 2008 the number of jobs increased to 7,991. As of March 31, 2009 the number of jobs decreased to 7,571. As of March 31, 2010 the number of jobs increased to 8,421. As of March 31, 2011 the number of jobs increased to 8,589.

Where do we want to go/be in the future?

The target for this measure is to support industry initiatives and the harvesting of underutilized species which will maintain and create employment both in fishing and boatbuilding as new vessels will be required to fill the need.

- **Increase in the amount of the loan portfolio**

What does the measure tell us?

An increase in the loan portfolio tells us that th : lending program is suited to the needs of the fishing industry and that the Loan Board is a successful lender.

Where are we now?

In 2000-2001 (base year) the loan portfolio was $53 M and our target is to increase our portfolio annually. Since that time, our loan portfolio increased to $60.7M as of March 31, 2002, $69.1M as of March 31, 2003, $71.7M as of March 31, 2004, $82.2M as of March 31, 2005, $80.5M as of March 31, 2006, $83.3M as of March 31, 2007, $90.1M as of March 31, 2008, as of March 31, 2009 $84.6M, as of March 31, 2010 $95M and as of March 31, 2011 $104M.

Where do we want to go/be in the future?

The target for this measure is to increase the balance of the loan portfolio per year by supporting financially viable operations.

Core Business Area 2

Maintain a vessel inspection program for all new construction, used vessel purchases, engines, equipment and upgrading loans. The outputs for this core business area are inspection of each new vessel under construction bi-weekly, yearly inspections of each financed vessel and to ensure that vessels related to used boat, engine, equipment and upgrading applications are appraised. The following measures are used to record movement towards achieving the outputs.

- **Number of vessels under construction inspected bi-weekly**

What does the measure tell us?

All vessels under construction must be inspected bi-weekly to ensure that they are built to rigid safety standards.

Where are we now?

In 2000-2001 (base year) all new vessels under construction were inspected bi-weekly and the target was to conduct bi-weekly inspections on all new vessels under construction. Since that time our standard of conducting bi-weekly inspections on all vessels under construction was met.

Where do we want to go/be in the future?

The target for this measure is to maintain our standard bi-weekly inspections on all new vessels

under construction and that bi-weekly progress payments are made to the boat builders.

- **Number of yearly maintenance inspections**

What does the measure tell us?

Each vessel that is financed by the Loan Board should be inspected yearly to ensure that it is being kept in seaworthy condition.

Where are we now?

In 2000-2001 (base year) maintenance inspections were carried out and the target was to inspect all vessels annually. Since that time our standard of inspecting all financed vessels yearly was met.

Where do we want to go/be in the future?

The target for this measure is to ensure that each vessel financed by the Loan Board is inspected yearly and that a survey report is completed on each vessel. These inspections ensure that the Loan Board maintains an equity position in each vessel financed.

- **Number of vessel inspections related to used loan applications**

What does the measure tell us?

Each loan application that is received for a used vessel loan, upgrading, engine or equipment loan must be inspected to determine if the loan would be secure in the value of the boat.

Where are we now?

In 2000-2001 (base year) all vessels were inspected for the purpose of used boat purchases, upgrades, new engines or equipment and our target was to conduct these types of inspections bi-weekly. Since that time our standard of inspecting all used vessels for which a loan application was received was met.

Where do we want to go/be in the future?

The target for this measure is to ensure that each vessel related to a loan application is inspected prior to approval to guarantee that the loan will be secure in the value of the boat and that an inspection report is completed.

Core Business Area 3

Maintain a loan collection program on a monthly basis to keep loan arrears to a minimum. The outputs for this core business area are frequent collection activity. The following measure is

used to record movement towards achieving the outcomes.

- **Per cent of accounts in arrears**

What does the measure tell us?

Provides information on all overdue accounts which will receive collection activity on a monthly basis ie: phone calls, letters and visits.

Where are we now?

In 2000-2001 (base year) the per cent of accounts in arrears was 4.1 per cent and our target was a 3 per cent arrears level. As of March 31, 2011 the rate was 3.3 per cent.

Where do we want to go/be in the future?

The target for this measure is to reduce the per cent of principal in arrears to 3 per cent or less. The Loan Board requires adequate staff and operating budget to perform monthly collection visits and this will also ensure that the loan balances are reducing as per the repayment schedule.

Core Business Area 4

To provide financial counseling and assessments for proposed projects. An outcome that will contribute to this core business is harvesters successfully expanding their operations. The following measures are used to record movement towards achieving the outcome:

- **Increase in fishers income**

What does the measure tell us?

If fishers can increase their income by utilizing all of their existing licenses and purchasing a larger vessel with Loan Board financing, the fishing industry and the Loan Board will be successful.

Where are we now?

In 2000-2001 (base year) individual lobster fisher's income was $83,478 and the target was 5 - 10 per cent increase in fishers gross stock. Since that time the average income of a lobster fisher has increased. In 2002 it was $110,390, in 2003 it was $98,283, in 2004 it was $85,740, in 2005 it was $119,000 and in 2006 it was $109,448, in 2007 it was $90,438, in 2008 it was $115,026 and in 2009 it was $98,632.

Where do we want to go/be in the future?

The target for this measure is the annual increase in fishers average annual income. With the Fisheries and Aquaculture Loan Board having suitable lending programs and well trained knowledgeable staff this should be achieved.

- **Per cent of Annual Writeoffs**

What does the measure tell us?

This measure tells us if the Loan Board programs are suitable as well as loan repayment schedules. It also indicates if the Loan Board is analyzing loan applications properly.

Where are we now?

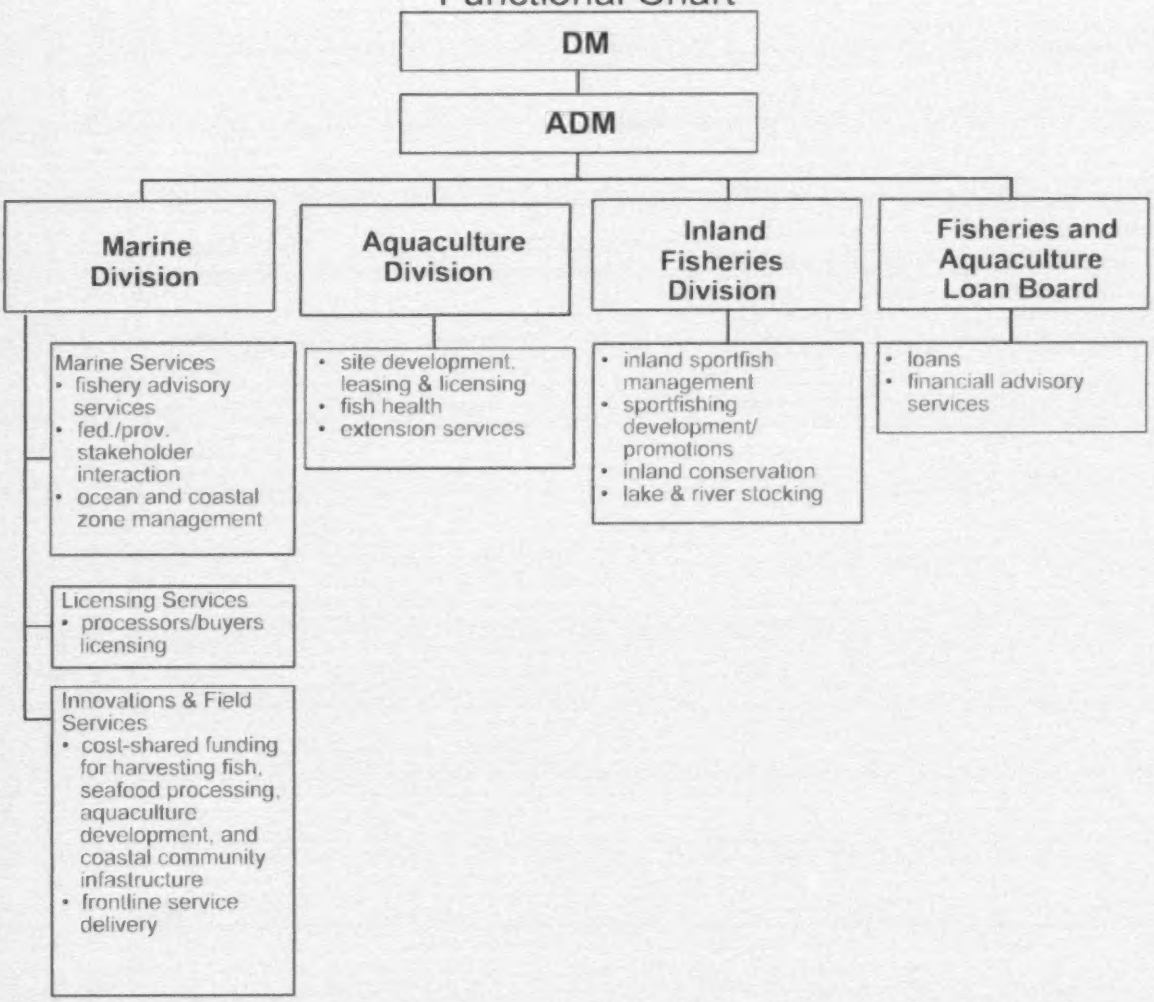
In 2000-2001 (base year) the per cent of annual writeoffs was 0.25 per cent and the target was no increase in writeoff amounts as a per cent of loan portfolio. Since that time the per cent of annual writeoffs has been under 0.25 per cent of the loan portfolio and this is also the case on March 31, 2011.

Where do we want to go/be in the future?

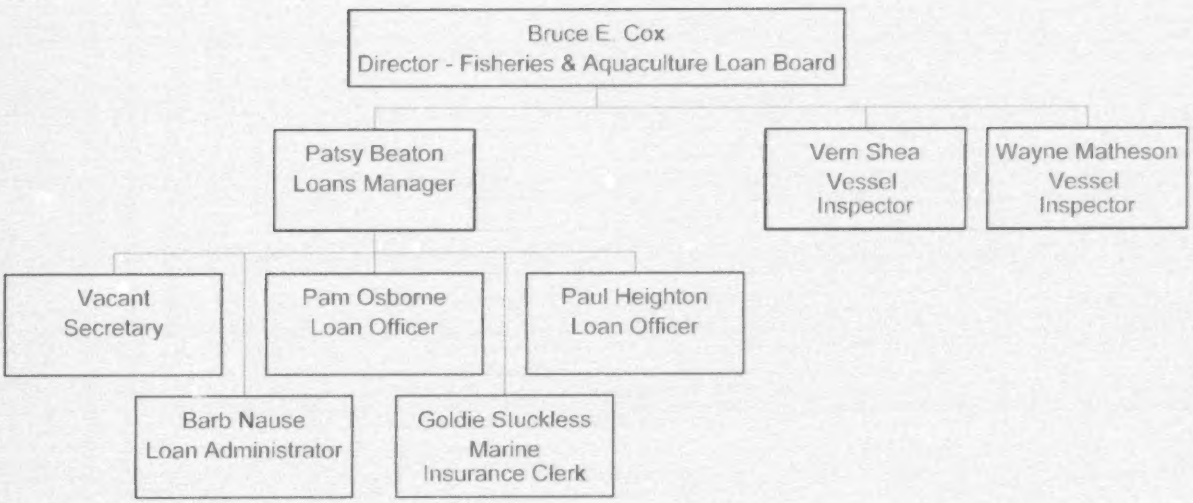
The target for this measure is to keep the annual writeoffs under 0.25 per cent of the total loan portfolio. This can be achieved by counseling fishers and aquaculturists, by having patient collection procedures and by monthly collection visits and phone calls to delinquent clients.

APPENDIX I

Nova Scotia Department of Fisheries and Aquaculture Functional Chart



Appendix 2
Nova Scotia Fisheries & Aquaculture Loan Board
Organization Chart



Appendix 3

Statistical Information

	Year Ending March 31, 2011	Year Ending March 31, 2010	Year Ending March 31, 2009	Year Ending March 31, 2008
Lending Budget	$40.0 m	$45.0 m	$20.0 m	$20.0 m
Loans Advanced	$19.3m	$35.9 m	$7.2 m	$15.9 m
Principal Payments	$14.8 m	$15.8 m	$13.0 m	$10.1 m
Interest Payments	$6.6 m	$6.2 m	$6.1 m	$5.9 m
Loans Receivable	$104 m	$95.0 m	$84.6 m	$90.1 m
Doubtful Accounts	$.4 m	$.2 m	$.2 m	$.2 m
Interest Expense	$3.9 m	$3.9 m	$4.0 m	$4.0 m
Writeoffs	$17,648	$ nil	$25,286	$241,804
Fees Collected	$202,000	$224,334	$49,000	$117,222
Net Income	$6.8 m	$6.4 m	$6.2 m	$6.2 m